
December
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State Water Resources Control Board
Division of Financial Assistance

**REPLACEMENT OF UNDERGROUND
STORAGE TANKS PROGRAM**

**LEGISLATIVE
ANNUAL
REPORT**

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Summary

The State Water Resources Control Board (State Water Board) is required to annually prepare a report to the Legislature on the performance of the Replacement of Underground Storage Tanks (RUST) grant and loan program, including the number and size of grants and loans made, characteristics of grant and loan recipients, the number of underground storage tanks removed and upgraded as a result of the grant and loan program, and the amount of money spent on administering the program. The program has been effective in helping independent gas retailers, who cannot otherwise afford the expense associated with required underground storage tank (UST) upgrades and/or removal, to remain in business. The success of the RUST Program has helped protect California's drinking water from contaminants, including methyl tertiary-butyl ether (MTBE), and ensured that necessary fuel supplies, particularly in rural areas, are maintained

Background

The RUST Program was established at the Technology, Trade and Commerce Agency in 1989 to provide low-interest, small business (fewer than 500 employees) loans (ranging from \$10,000 to \$750,000) to replace, remove, and repair underground storage tanks (USTs) in order to meet regulatory standards and take corrective actions in response to leaks. The loan interest rate is currently at five percent; equal to the most recent State Treasurer's Surplus Money Investment Fund rate verified and adjusted bi-annually. In 1999, the Program was expanded as part of legislation aimed at limiting the release of MTBE from leaking USTs into groundwater and surface water resources. The 1999 legislation enabled small and disadvantaged businesses (fewer than 20 employees and sells under 900,000 gallons gasoline annually) to obtain grants (ranging from \$3,000 to \$50,000) for required UST and UST-related upgrades. If eligibility requirements cannot be met under the RUST grant program, or if available funding is exhausted, applicants may apply for funding under the RUST loan program. The 2003/04-Budget Act abolished the Technology, Trade and Commerce Agency and transferred the RUST Program to the California Environmental Protection Agency for the collection of outstanding loans.

AB 1068 (Liu), Chapter 624, Statutes of 2004, added Chapter 6.76 (commencing with Section 25299.100) of Division 20 of the Health & Safety Code, reinstating the RUST Program within the California Environmental Protection Agency, State Water Board, and extending the sunset date to January 1, 2011. The loans and grants are funded from the Petroleum Underground Storage Tank Financing Account. Funds for this account originally derived from the UST Cleanup Fund through appropriation by the Legislature. The following information is based on RUST Program records through June 30, 2008.

Loans, Grants, and Resultant Tanks Removed/Upgraded

During fiscal year 2007/08, the RUST Program received 28 loan applications totaling \$5,300,615. Of those applications, 24 loans were approved totaling \$4,617,615, with an average loan amount of \$192,400. During the same year, 87 grant applications were received totaling \$4,015,013. Of those applications, 59 grants were approved totaling \$2,615,013, with an average grant amount of \$44,322. These loans and grants enabled

recipients to replace/repair 201 USTs and preserve 404 jobs. The removal/upgrade of these USTs also helped protect groundwater from contamination from UST leaks.

Attachment A details the number and amount of RUST loans and grants approved and the resultant tanks removed/upgraded from Fiscal Year 2004/05 through 2007/08.

Characteristics of Grant and Loan Recipients

The loan and grant applications include questions that identify the characteristics of the applicant. The following charts summarize approved grants and loans characteristics:

Chart 1. Applicant's Ethnicity*

ETHNICITY	FY 2007/08 TOTAL
White	21
Asian/ Pacific Islander	13
Hispanic	2
African-American	0
East Indian	13
Other	3
Not Reported	31

*The question was optional and not all applicants reported.

Chart 2. Business Types

BUSINESS TYPES	FY 2007/08 TOTAL
Gas Sales	8
Gas & Auto Repair	8
Gas & Mini Mart	66
Gas & Car Wash	1
Cardlock	0

Chart 3. Applicant's Legal Business Structure

LEGAL STRUCTURE	FY 2007/08 TOTAL
Sole Proprietorship	36
Corporation	32
Partnership	10
Individual	5
Limited Liability Company	0
Trust	0

Administrative Costs

The state operating expenditures for the RUST Program totaled \$308,000 in FY 2007/08. These expenditures are for loan and grant servicing and collection costs. Servicing costs include processing and accounting for new and existing loans and grants and depositing of monthly payments. Collection costs include pursuing delinquent borrowers and enforcement of contract provisions that ensure loan repayment.

Conclusion

The RUST Program has helped independent gas retailers who cannot otherwise afford the expense associated with required UST upgrades and/or removal designed to comply with UST requirements to protect groundwater and to remain in business. The success of the RUST Program has helped protect California's drinking water from contaminants, including MTBE, and ensured that necessary fuel supplies, particularly in rural areas, are maintained.

